



ANNUAL REPORT 2021

Prairie North
Co-operative Limited

WE ARE PROUD
WE ARE LOCAL
WE ARE CO-OP



OUR VALUES

Service

Exceeding Expectations

Integrity

Honest and Trustworthy

Unity

We are Better Together

OUR VISION

To be the trusted first choice in our community.

OUR MISSION STATEMENT

Our team is committed to excellence at every opportunity to serve our guests and our community.

We will consistently deliver a trusted, welcoming, and personalized experience.

SERVICE • INTEGRITY • UNITY

You're at home here.



about us

Prairie North Co-op operates out of 21 locations – from St. Brieux, Spalding and Naicam in the west; to Melfort and Brooksby in the north; and Archerwill and Kelvington in the east. We serve our members with products and services that help build, feed, fuel and grow the communities in which we live and do business.

As a co-operative, we are a different kind of business; we are not only working for our communities, but we are also owned by our community. Co-ops embed sustainability in their business by planning and investing for the long term, with the community and environment in mind; they work to create jobs; and they partner with other organizations and local businesses. Prairie North Co-op profits do not leave the community, they go back into it – and back to our members. We take pride in our community involvement and our commitment to providing quality products and services.

Prairie North Co-op employs 296 and serves 12,425 members. We continue the tradition of giving back, not only in patronage refunds to our members, but also through financial support to several local organizations. In 2021, sponsorship and donations totalled almost \$126,200 to 154 different organizations in our trading area. Locally invested. Community-minded. Lifetime membership benefits. We are Co-op.

YOUR PRAIRIE NORTH CO-OP

BUILDING, FEEDING, FUELLING, AND GROWING COMMUNITIES



EMPLOYS
296

COMMUNITY MEMBERS

21 LOCATIONS – ARCHERWILL, BROOKSBY, KELVINGTON, MELFORT, NAICAM, SPALDING & ST.BRIEUX



12,425
MEMBER OWNERS

RANKED
#51

ON THE TOP
100 COMPANIES
LIST IN 2020 BY
SASKBUSINESS
MAGAZINE
(UP 4 SPOTS)



\$128,982,762
IN SALES FOR 2021



message from the board



weren't named the winner, I am proud that we were counted among the top co-operatives in this category.

Saskatchewan's Top 100 Companies – in early March, Saskatchewan's Top 100 Companies list was published. Our co-operative ranked 51, up four spots from the previous year.

Anhydrous Ammonia (NH3) – in March, the Agro Team added NH3 to its offerings. Prior to the installation of the bullet/tank north of Melfort, a substantial amount of time was invested in planning and training to be able to provide this service to our members and customers.

Sustainability Report – on Earth Day in April, we released our first published Sustainability Report. Co-ops have long believed in being a responsible business – protecting our members' investments while also considering our people, our communities, and our environment. The how and why behind that belief is detailed in our Sustainability Report.

New Melfort Food Store Build announcement – also in April, a new 25,000 square foot Co-op Food Store adjacent to the Stone Gate development was announced. This new build will ensure that Prairie North Co-op grocery customers in Melfort and surrounding area will

As I prepared to draft my message on behalf of the Board, I looked over the 2020 Annual Report, reviewed the 2021 financials and my notes on all that we have accomplished over the last year. What stands out the most for me was the fact that although the pandemic was still very much a part of our collective reality last year – locally, provincially, and globally – its impact on our co-operative's bottom line is barely discernable. We took what we learned in the first year of the COVID-19 pandemic and we continued to build on those lessons. We were responsive. We were flexible. We were forward thinking. And we demonstrated that we truly are better together.

YEAR IN REVIEW

Excellence in Health & Safety Award finalist – in February we received notification that Prairie North Co-op was selected as a finalist for the CRS Excellence in Health & Safety Award. Although we

CASH. THAT'S YOUR REWARD.

Over the past three years, Prairie North Co-op has returned over \$5.8 million to our members in equity and cash back. Our 2021 patronage allocations were approved by the Prairie North Co-op Board in Feb. 2022.

1.5%	FOOD
1.0%	LUMBER
1.5%	FERTILIZER & CHEMICAL
1.0%	GENERAL MERCHANDISE
4.0%	PETROLEUM

be able to access our great Co-op products in a new food store that will allow us to leverage new technological advances in the food industry.

LOOP program – in June, we entered into a partnership with LOOP Resources to reduce food waste. Loop Resources provide simple systems with safe liability structures that enable food wholesalers, retailers, and producers to divert one hundred percent of their unsaleable food away from landfill, and towards those in their community who can use it best. At the time of reporting, 22 farmers have signed up for the program.

Sustainable Communities Fund – in August the Board approved an allocation of \$25,000 for the creation of the Prairie North Co-op Sustainable Communities Fund. Applications were accepted during the month of September. In its first year, four projects were selected for funding ranging in value from \$3000 to \$12,000.

Truth and Reconciliation Day - in July 2021, the Federal Government announced the creation of a new federal statutory (STAT) holiday on September 30th. Prairie North Co-op marked the day by treating it as a STAT holiday with the administrative offices closed and our retails working reduced hours.

Co-op Week – as a co-operative we are proud of what makes us different. Each year during the third week of October we celebrate those differences during Co-op Week. I would like to add that by this time in the year, your Board had already approved a number of re-investment projects – from the renovation of the old Car Care Centre in Melfort to accommodate the administration office relocation; to the upgrades of the Kelvington Food Store, the purchase of lots in Kelvington to renovate and relocate the C-store/Gas Bar; the Archerwill Cardlock/C-store/Gas Bar renovations, and the purchase of a portable office for the Archerwill Ag site.

2021 AT A GLANCE

\$126,201 DONATED TO 154 CHARITIES & NON-PROFITS



\$6,254 RAISED
CASH FOR A CAUSE
WE ARE CO-OP
BE PROUD • WE ALL LOCK

SCHOLARSHIPS GIVEN \$2,875

3008
TEAM MEMBER TRAINING HOURS

FUEL GOOD DAY

\$10,000 RAISED

224 GALLONS OF PAINT DONATED

COMMUNITIES IN FULL COLOUR



RETURNED TO MEMBERS IN EQUITY & CASH BACK \$2,404,349



OUR FINANCIAL POSITION

As we look to 2022, I am proud to report that our financial position is strong. Sales for the 2021 fiscal year exceeded the budgeted \$123,000,000. Net savings before tax of \$5,255,989 were achieved. The patronage allocation from Federated Co-op Limited (FCL), including loyalty payment, was \$5,360,428. In 2021, the Board approved a capital re-investment for property, plant and equipment of \$3,210,106. This is up from \$1,843,552 in 2020.

Over the past three years, Prairie North Co-op has returned over \$5.4 million to our members in equity and cash back. The 2021 patronage allocations approved by the Board in February were:

- 1.5% back for food
- 1% back for lumber
- 1.5% back for fertilizer and chemical
- 1% back for general merchandise
- 4% back for petroleum

In total, we are allocating \$2,404,349 with \$1,273,473 being returned to the members.

On behalf of the Prairie North Co-op Board of Directors, I would like to extend a heartfelt thank you for your patronage over the last year. As we entered year two of COVID restrictions and seemingly ever-changing rules, your patience and trust in us means so much. Thank you. Another group that is deserving of thanks are the management and staff of Prairie North Co-op. As members of your community, we hear time and again how the people employed by our co-operative have brought our values of service, integrity and unity to life in service of our members and customers, and that makes us so very proud.

TERM EXPIRING AT 2022 AGM
 TRENT FEDORYCHKA
 MONICA SOCHASKI
 JOHN KNUDSEN

TERM EXPIRING AT 2023 AGM
 LORNE TYACKE
 KELLY COPELAND
 GREG MASLIN

TERM EXPIRING AT 2024 AGM
 ED DUFAULT
 JIM ZEMLUK
 BARRY MARQUETTE
 TOM BOYES

2021 general manager's report on operations

I am honoured to report to the membership on our operations for the fiscal year 2021. As we prepare to enter our third year of living, and doing business, influenced by the impacts of the COVID-19 pandemic, I am pleased to report that our co-operative has not only been able to get by and survive, but it has grown and thrived.

PROUD AND PRODUCTIVE PEOPLE

One of the things that make Co-ops a different kind of business is the belief that we are better together and 2021 was certainly a testament of that. Much of what we achieved can be credited to the commitment of all levels of our organization – Board, Leadership,

agreements with Beeland, Carrot River and Parkland to provide management expertise in Occupational Health and Safety. Today, human resources, finance, delivery of bulk fuel, and marketing are other areas of sharing as we continue to leverage our relationships with neighbouring co-operatives to capture efficiencies and improve financial results.

MAINTAINING OPERATIONAL EXCELLENCE

Co-ops have long believed in being a responsible business – protecting our members' investments while also considering our people, our communities and our environment. The process of reviewing our facilities is an ongoing one. It can be triggered from an operations standpoint – is the facility meeting the needs of our members and customers in that community? Is it allowing us to

As we prepare to enter our third year of living, and doing business, influenced by the impacts of the COVID-19 pandemic, I am pleased to report that our co-operative has not only been able to get by and survive, but it has grown and thrived.

and Team Members – to focus on being the trusted first choice for our members and customers, and to bring our values of Service, Integrity, and Unity to life each day. Our people have taken our Co-op to another level of success by almost any metric used to measure. Our gross sales were up 12% over last year, an increase of \$13,668,016, and our community investment, what we gave through donations and sponsorship, was up 10%, an increase of \$11,301. By most standards, 2021 was our most successful year in over a decade.

ORGANIZATIONAL STRUCTURE

“Better together” is reflected in our organizational structure through shared service agreements. In 2019 Prairie North Co-op entered into shared

do business efficiently? And it can be triggered by an opportunity, like when we hear about the potential sale of a local business that complements our portfolio and aligns with our growth plan.

Despite the challenges presented by another year of doing business during a pandemic, Prairie North Co-op continues to move forward, growing, building, and renewing operations. The ground was prepared for the new Melfort Food Store build in 2021, construction will begin in 2022, with the opening scheduled for Feb/Mar 2023. Recognizing that a move out of the Melfort Mall would require a relocation for the administrative offices, renovations began on the old Car Care Centre on Burrows Avenue, a property that was already owned in Melfort. This space is on track to open Summer of 2022. After the work of planning, the Archerwill Cardlock/C-Store/Gas Bar/Liquor renovation got underway and will be completed by Summer 2022. Similarly, when the Kelvington C-Store/Gas



**WE ARE PROUD
 WE ARE LOCAL
 WE ARE CO-OP**

and WE ARE Looking for People Who Want to Make a Difference.



Bar was deemed unfit for renovation, the lots adjacent the Liquor Store were purchased and surveyed for construction in Summer 2022. The new build will see the C-Store, Gas Bar, and Liquor Store operate out of a shared facility.

In 2021 we added anhydrous ammonia (NH3) services to our offerings at the Melfort Agro Centre. Demand well exceeded our budgeted volume in year one, giving us options as we continue to grow our presence in agriculture throughout the trading area.

Prairie North Co-op is dedicated to contributing to the sustainability of the communities in which we do business. The projects outlined here demonstrate a commitment to investing in the local economy and to meeting our member's needs for decades to come.

PRUDENT FINANCIAL MANAGEMENT

As mentioned in my introductory comments, financial results have our sales up again in 2021. Gross sales for the 2021 fiscal year were \$128,982,762.

Prairie North Co-op

#ServiceIntegrityUnity

- CARDLOCK**

Melfort, Archerwill, Kelvington, Naicam, Rose Valley & St. Brieux
- CAR WASH**

Melfort
- PROPANE**

Melfort, Archerwill, Kelvington, Naicam & St. Brieux
- FUEL**

Melfort, Archerwill, Kelvington, Naicam & St. Brieux
- AGRO**

Melfort, Archerwill, Kelvington & Naicam
- CONVENIENCE**

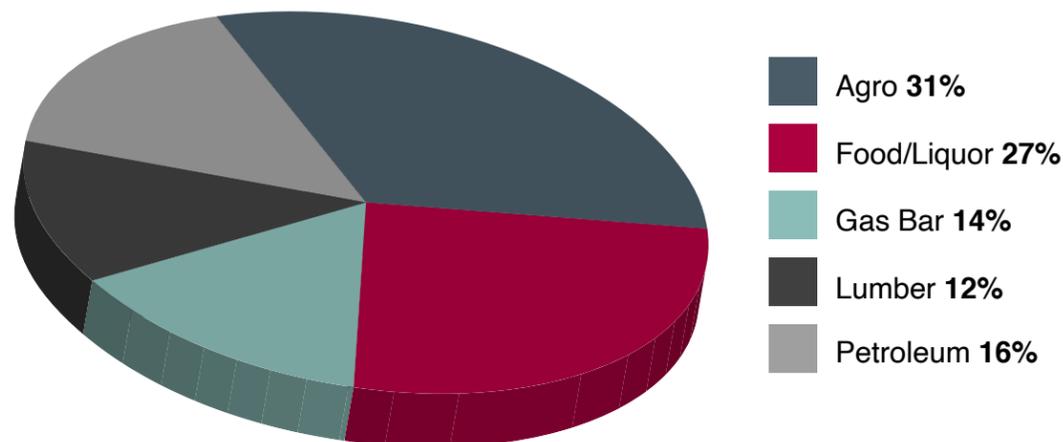
Melfort, Archerwill, Kelvington & Naicam
- HOME & BUILDING**

Melfort, Archerwill, Kelvington & Naicam
- GROCERY**

Melfort, Archerwill, Kelvington, Naicam, Spalding & St. Brieux
- LIQUOR**

Kelvington, Spalding & St. Brieux

Sales by Division



SALES BY DIVISION		
	2021	2020
Agro	\$40M	\$33.8M
Food	\$34.1M	\$34.2M
Gas Bar	\$18.6M	\$15.7M
Lumber	\$15.8M	\$14.3M
Petroleum	\$20.5M	\$17.3M

Our margin dollars were up \$1,079,415, while our expenses were up only \$190,077.

Strong sales and closely monitored expenses locally, combined with improved profits in the energy sector, saw our patronage and loyalty payments from Federated Co-operatives Limited increased from \$3,456,629 in 2020 to \$5,360,428 in 2021. Of the \$4,647,394 after-tax savings, \$2,243,045 has been put to reserve and \$2,404,349 was returned to members.

The balance sheet of Prairie North Co-op in 2021 depicts total assets of \$75,747,801 compared to \$65,053,421 in 2020 and member owner equity of \$46,580,403 . . . up from \$42,729,652.

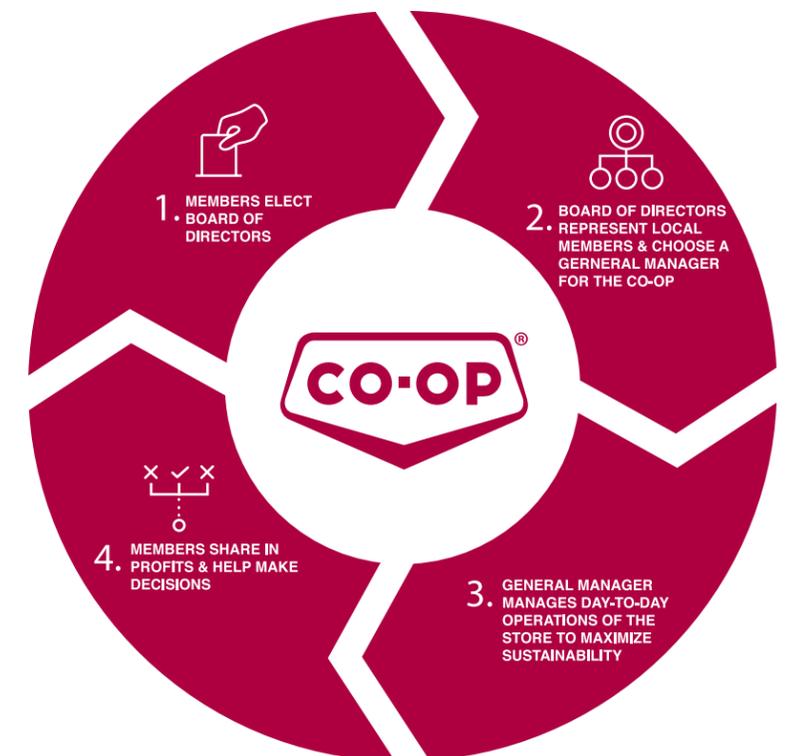
COMMUNITY AND ENVIRONMENTAL SUSTAINABILITY

In Prairie North Co-op, sustainability drives growth – renovations and new builds – and the facilities decisions that we make around environmental practices, waste reduction and energy efficiency. Sustainability also drives our Ag Division's recycling efforts for pesticide and seed containers, used oil containers, tires, and batteries. It is our Food Division's adoption of the LOOP program for food waste diversion and our commitment to sourcing local food suppliers to reduce the environmental impacts of transportation. Sustainability is the choice of chemicals we use in our car wash in Melfort and how the water used is treated before it returns to the municipal system. And sustainability is employing local people and supporting local projects and organizations so that our members take pride in being a part of our co-operative and our customers feel good about supporting us.

2021 marked the creation of our Sustainable Communities Fund, an allocation of \$25,000 to provide support to capital projects and new programs to enhance the quality of life for the people in the communities and surrounding region that make up Prairie North Co-op. Over 20 applications were received between September 1 and September 30. Following is a list of the projects selected for funding:

- Chateau Providence Auxilliary, St. Brieux. Project: new gazebo with a roof
- Naicam Snowblasters Inc., Naicam. Project: replacing a warmup shelter
- Kelvington School of Dance, Kelvington and area. Project: basement upgrade (installation lockers and storage)
- Kelvington Agriculture Society, Kelvington. Project: upgrade stage in beer gardens

Also new in 2021 was the 12 Days of Giving campaign that ran in conjunction with the 12 Days of Christmas contest; the Poppy Donut Sale; and the Goodbye to Hunger Drive. During the 12 Days of Giving, announcements were made each day related to community investment. In total, \$126,401 was donated to 154 charities and non-profits throughout the year.



PRAIRIE NORTH CO-OP

IN CLOSING

I want to close by recognizing the contribution of our 296 team members, 11 board members, and our 12,425 member owners. Whether your role in our co-operative was one of trusting us to provide you with the goods and services that you need daily; or one of leadership; or it was one of showing up day in and day out with a co-op shield on your shirt and a smile on your face . . . better together has translated to a very successful year. Thank you.

In my 2020 Annual Report, I spoke to the strength of the foundation that we were building to support future growth. In 2021, I want to recognize the framework that we have erected to support the growth that has become a reality. As I look forward to 2022, I am excited by the prospect of the finishing work of the projects, work, and partnerships presented in this report. I am confident that we will be able to continue to leverage our strengths to remain relevant to those who have a vested interest in the success of our co-operative and to positively impact the communities in which we live, work and do business.

Sincerely,
Terry Tremblay



Management's Responsibility

To the Members of Prairie North Co-operative Limited:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for private enterprises. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Co-operative. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, internal auditors, and external auditors. The Board is also responsible for recommending the appointment of the Co-operative's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

April 14, 2022



General Manager

Independent Auditor's Report

To the Members of Prairie North Co-operative Limited:

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Prairie North Co-operative Limited (the "Co-operative"), which comprise the balance sheet as at December 31, 2021, and the statements of net savings and retained saving and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Qualified Opinion

The disclosure requirements of Canadian accounting standards for private enterprises, Section 1582 - Business Combinations, are not met by business combination note 21 as the note does not provide the consideration transferred for the acquisition, or the acquisition date fair value of the assets and liabilities acquired.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Co-operative in accordance with the ethical requirements that are those standards are further described in the Auditor's Responsibilities for the Audit of the Financial relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of the auditor's report is information included in the 2021 annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Co-operative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Co-operative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Co-operative's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Co-operative's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Co-operative to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

MNP

Report on Other Legal and Regulatory Requirements

As required by paragraph 11 of the Co-operatives Regulations, 1998, we report that, in our opinion, Canadian accounting standards for private enterprises have been applied on a basis consistent with that of the preceding year.

Saskatoon, Saskatchewan

April 14, 2022

MNP LLP

Chartered Professional Accountants

MNP

Prairie North Co-operative Limited
Balance Sheet
As at December 31, 2021

	2021	2020
Current assets		
Cash and cash equivalents	\$ 4,983,079	\$ 3,352,532
FCL special deposit (Note 4(a))	337,382	-
Accounts receivable - Customer (Note 5)	3,615,724	3,282,200
- Other	412,073	521,912
Income taxes recoverable	98,049	-
Inventories (Note 6)	25,705,423	21,547,954
Prepaid agriculture suppliers	5,429,949	2,830,477
Prepaid expenses	346,581	316,773
Current portion long-term receivable (Note 7)	210,808	234,580
	41,139,068	32,086,428
Long-term receivable (Note 7)	11,891	194,562
Investments		
Federated Co-operatives Limited (Note 4(b))	15,459,876	14,662,360
Other organizations	5,005	5,005
Property, plant and equipment (Note 8)	18,566,961	17,540,066
Intangible assets (Note 9)	565,000	565,000
Total assets	\$ 75,747,801	\$ 65,053,421
Current liabilities		
Line of credit (Note 10)	\$ 6,000,000	\$ 3,205,270
Accounts payable and trust liabilities (Note 11)	14,299,229	10,661,903
Customer prepaid accounts	8,732,669	5,929,175
Income taxes payable	-	974,624
Current portion of long-term debt (Note 12)	464,800	899,877
	29,496,698	21,670,849
Long-term debt (Note 12)	-	466,667
Asset retirement obligation (Note 4(c))	192,700	186,253
Total liabilities	29,689,398	22,323,769
Members' equity		
Share capital (Note 13)	17,410,797	16,470,303
Reserves and retained savings (Note 14)	28,647,606	26,259,349
	46,058,403	42,729,652
Total liabilities and members' equity	\$ 75,747,801	\$ 65,053,421
Subsequent events (Note 21)		
Commitments (Note 22)		

Approved on behalf of the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements

Prairie North Co-operative Limited
Statement of Net Savings and Statement of Retained Savings
For the Year Ended December 31, 2021

	2021	%	2020	%
Sales (Note 15)	\$ 128,982,762	100.0	\$ 115,314,746	100.0
Cost of goods sold	109,499,924	84.9	96,911,323	84.0
Gross margin	19,482,838	15.1	18,403,423	16.0
Expenses				
Operating and administration	19,594,706	15.2	19,421,048	16.8
Net interest (Note 17)	(7,429)	-	(23,848)	-
	19,587,277	15.2	19,397,200	16.8
Loss from operations	(104,439)	(0.1)	(993,777)	(0.8)
FCL loyalty program (Note 4(d)(iii))	1,370,350	1.1	1,480,722	1.3
Patronage refunds	3,990,078	3.1	1,975,907	1.7
Savings before gain on acquisition and income taxes	5,255,989	4.1	2,462,852	2.2
Gain on acquisition	-	-	5,147,064	4.4
Savings before income taxes	5,255,989	4.1	7,609,916	6.6
Income tax expense (Note 19)	608,595	0.5	1,393,080	1.2
Net savings	\$ 4,647,394	3.6	\$ 6,216,836	5.4
Retained savings, beginning of year	\$ -		\$ -	
Net savings	4,647,394		6,216,836	
Transfer to statutory reserve (Note 14)	(276,187)		(444,631)	
Transfer to general reserve (Note 14)	(1,966,858)		(4,264,096)	
Patronage allocation to members (Note 13)	(2,404,349)		(1,508,109)	
Retained savings, end of year (Note 14)	\$ -		\$ -	

The accompanying notes are an integral part of these financial statements

Prairie North Co-operative Limited
Statement of Cash Flows
For the Year Ended December 31, 2021

	2021	2020
Operating activities		
Net savings	\$ 4,647,394	\$ 6,216,836
Adjustments for:		
Depreciation	2,180,153	1,946,222
Accretion	6,447	6,203
FCL patronage refund	(3,987,578)	(1,973,907)
Gain on the disposal of property, plant and equipment	(19,355)	(72,774)
Changes in non-cash operating working capital:		
Accounts receivable	(223,685)	1,588,247
Income taxes recoverable	(98,049)	458,266
Inventories	(4,157,469)	(696,215)
Prepaid agriculture suppliers	(2,599,472)	(2,106,598)
Prepaid expenses	(29,808)	(74,141)
Long-term receivables	206,443	(300,480)
Intangible assets	-	(70,000)
Accounts payable and trust liabilities	3,637,326	(2,028,196)
Customer prepaid accounts	2,803,494	4,177,785
Income taxes payable	(974,624)	974,624
Cash provided by operating activities	<u>1,391,217</u>	<u>8,045,872</u>
Investing activities		
Redemption of FCL shares	3,190,062	1,776,516
Additions to property, plant and equipment	(3,210,106)	(1,778,857)
Proceeds from the disposal of property, plant and equipment	<u>22,413</u>	<u>320,348</u>
Cash provided by investing activities	<u>2,369</u>	<u>318,007</u>
Financing activities		
Change in line of credit	2,794,730	(3,350,725)
Repayment of long-term debt - FCL line of credit	(901,744)	(535,903)
Equity cheques transferred from Archerwill	-	112,854
Share capital issued	2,735	2,985
GST on allocation	38,799	42,958
Redemption of share capital	<u>(1,360,177)</u>	<u>(1,526,501)</u>
Cash provided by (used for) financing activities	<u>574,343</u>	<u>(5,254,332)</u>
Net increase in cash and cash equivalents	1,967,929	3,109,547
Cash and cash equivalents, beginning of year	<u>3,352,532</u>	<u>242,985</u>
Cash and cash equivalents, end of year	<u>\$ 5,320,461</u>	<u>\$ 3,352,532</u>
Cash and cash equivalents are comprised of:		
Cash and cash equivalents	\$ 4,983,079	\$ 3,352,532
FCL special deposit	337,382	-
	<u>\$ 5,320,461</u>	<u>\$ 3,352,532</u>

The accompanying notes are an integral part of these financial statements

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2021

1. Incorporation and operations

Prairie North Co-operative Limited ("the Co-operative") was incorporated under the Co-operatives Act of Saskatchewan on June 22, 1914. The primary business of the Co-operative is operating retail agricultural, food, and petroleum outlets in Melfort, Saskatchewan and area.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for private enterprises. A precise determination of many assets and liabilities is dependent upon future events and consequently, the preparation of these financial statements involves the use of estimates and approximations. Areas subject to estimation include valuation of accounts receivable, inventory, useful life of property, plant and equipment, impairment of long-lived assets, income taxes, asset retirement obligations, accrued liabilities and potential contingencies. These estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

These financial statements have been prepared to reflect the following significant accounting policies:

(a) Definition of financial year

The Co-operative's financial year ends on the Saturday closest to December 31.

(b) Cash and cash equivalents

Cash and cash equivalents are defined as cash and investments with an initial maturity of less than three months.

(c) Inventories

Inventories are valued using a weighted average formula, first-in first-out method, and the retail method. Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the most appropriate method for that particular inventory class.

The Co-operative estimates net realizable value as the amount that inventories are expected to be sold for, taking into consideration fluctuations of retail price due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is determined to be not recoverable due to obsolescence, damage or permanent declines in selling prices.

(d) Investments

The Co-operative's investments are accounted for using the cost method. Accordingly, the investments are recorded at acquisition cost, less any provisions for permanent impairment or adjustments for patronage refunds or share redemptions. All transactions with FCL are disclosed in a separate note (Note 4).

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2021

(e) Financial instruments

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at amortized cost, unless management has elected to carry the instruments at fair value. The Co-operative has not elected to carry any such financial instruments at fair value. Financial instruments, which are subsequently measured at amortized cost, are adjusted by transaction and financing costs incurred on acquisition.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Co-operative determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Co-operative could realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is taken over the estimated useful lives of the assets using the following methods and rates:

Pavement	Declining balance	8%
Fences	Declining balance	10%
Tanks	Declining balance	10% & 20%
Buildings	Straight-line & declining balance	3 - 25 years & 4% - 20%
Vehicles	Declining balance	15% & 30%
Computer equipment	Straight-line & declining balance	5 years & 30% - 55%
Furniture & equipment	Straight-line & declining balance	3 years & 20%
Asset retirement cost	Straight-line	25 - 35 years

Expenditures for maintenance and repairs are charged to operating expenses as incurred. Significant expenditures for improvements are capitalized. Gains or losses realized on the disposal of property, plant and equipment are reflected in operations in the year of disposition.

Claims for assistance under various FCL programs are recorded as a reduction of the cost of related assets in the period in which eligible expenditures are incurred, with any depreciation calculated on the net amount.

An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. No such impairment loss was recorded during the year.

(g) Asset retirement obligation

The Co-operative has a liability for an asset retirement obligation in the period in which a legal liability is incurred. The liability is based on management's best estimate. The liability is subsequently adjusted for the passage of time, which is recognized as an accretion expense in the statement of operations. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. Actual costs incurred upon settlement of the asset retirement obligations are charged against the asset retirement obligation to the extent of the liability recorded.

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2021

(h) Share capital

The Co-operative approves an allocation to members subsequent to year end. The amount is recorded as an addition to share capital and a reduction in retained savings. The Co-operative records the redemption of shares that is to be paid to members at the time it has been approved by the Board of Directors.

(i) Revenue recognition

The Co-operative recognizes revenue when evidence of an arrangement exists, delivery or change of ownership has occurred, the price has been determined, and collection is reasonably assured. Patronage allocations are recognized in earnings when allocated to the Co-operative.

(j) Income taxes

The Co-operative follows the taxes payable method whereby only current income tax assets and liabilities are recognized to the extent they remain unpaid or are recoverable. In addition, the benefit relating to a tax loss incurred in the current period and carried back to prior periods is recognized as a current asset. Current income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

(k) Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Indefinite life intangible assets are not amortized. An impairment loss is recognized when the carrying amount of an intangible asset is not recoverable and exceeds its fair value. No such impairment loss was recorded during the year.

(l) Business combinations

Business combinations are accounted for using the acquisition method. The application of this method requires certain estimates and assumptions especially concerning the determination of the fair value of the acquired intangible assets, property, plant and equipment, as well as the liabilities assumed at the date of the acquisition, based on information available at that date.

At the acquisition date, the Co-operative recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the subsidiary. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values. Any non-controlling interest in a subsidiary is measured either at fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets.

The consideration transferred for each acquisition is measured as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred, and equity instruments issued by the Co-operative to obtain control of the subsidiary.

(m) Government assistance

The Co-operative recognizes government assistance when there is a reasonable assurance that it will comply with the conditions required to qualify for the assistance, and that the assistance will be received. The Co-operative recognizes government assistance related to the Canada Emergency Wages Subsidy ("CEWS") as a reduction to the expense which the assistance program is meant to fund.

3. Financial instruments and risk management

The significant financial risks to which the Co-operative is exposed are credit risk, interest rate risk, liquidity risk, and commodity price risk.

(a) Credit risk

The Co-operative is exposed to credit risk on accounts receivable from its customers. The Co-operative manages credit risk through an active credit management program. The Co-operative does not have a significant exposure to any individual customer (2020 - no significant exposure to any individual customer).

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Co-operative's sensitivity to fluctuations in interest rates is limited to its cash, funds on deposit, line of credit, and debt. The Co-operative manages its exposure to interest rate risk through floating rate deposits and borrowings.

(c) Liquidity risk

Liquidity risk is the risk that the Co-operative will encounter difficulty in meeting obligations associated with financial liabilities. The Co-operative is exposed to liquidity risk arising primarily from the current obligations and long-term debt. The Co-operative's ability to meet obligations depends on funds generated by its operations.

(d) Commodity price risk

The Co-operative enters into transactions to purchase crop production products, for which market prices fluctuate. The nature of the Co-operative's activities exposes it to risk of changes in commodity prices related to crop inputs that may occur between the time products are received from the supplier and actual date of sale to customers. To mitigate a portion of this risk, the Co-operative enters into contracts with the supplier to purchase the product at specified prices.

4. Transactions with Federated Co-operatives Limited (FCL)

(a) FCL special deposit

Amounts held with FCL as special deposits earn interest at rates based on prime rates.

(b) Patronage refund

The Co-operative, along with other Co-operatives in Western Canada, own FCL. At the end of each year, FCL divides a substantial portion of its net savings among these retail Co-operatives in proportion to the business done by each with FCL. During FCL's fiscal year ended October 31, 2021, the Co-operative purchased goods amounting to \$99,231,196 (2020 - \$86,114,648) from FCL in the normal course of operations.

These purchases resulted in a patronage refund from FCL which was received as non-cash consideration in the form of additional shares in FCL. FCL, based on its available cash flow, redeemed an amount of FCL shares held by the Co-operative. The amounts of the patronage refund and shares redeemed are as follows:

	2021	2020
Opening investment balance	\$ 14,662,360	\$ 14,464,969
Patronage refund	3,987,578	1,973,907
Share redemptions	<u>(3,190,062)</u>	<u>(1,776,516)</u>
Closing investment balance	<u>\$ 15,459,876</u>	<u>\$ 14,662,360</u>

(c) Asset retirement obligation

The Co-operative participates in a contaminated site management program established by FCL to manage its asset retirement obligations. This program limits the Co-operative's liability to \$25,000 per site as long as the Co-operative continues to exercise due diligence. The Co-operative has 11 sites under this program. Management believes that due diligence has been exercised. At year end, the Co-operative has accrued a liability in the amount of \$192,700 (2020 - \$186,253). A corresponding amount has been capitalized as an asset retirement cost. Accretion for the current year included in operating and administration expense was \$6,447 (2020 - \$6,203).

The Co-operative has three fertilizer sites that are covered under the contaminated site management program established by FCL. Management cannot make a reasonable estimate of the future asset retirement obligation due to the uncertainty of the environmental impact from its fertilizer division.

(d) Purchase commitments

(i) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum products, at market price, from FCL for its gas bar and cardlock operations over a ten year period commencing from March 2013. Failure to meet this commitment would require the Co-operative to immediately pay outstanding gas bar and cardlock loan balances owed to FCL, plus repay any gas bar and cardlock grants received, including interest on the grants compounded annually at 10% from the grant date. Total grants received during this period amounted to approximately \$1,767,746 (2020 - \$1,791,965). Management intends to fulfill all existing contracts with FCL.

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2021

(ii) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum products, at market price, from the FCL corporate bulk plant over a ten year period commencing from December 2012. Failure to meet this commitment would require the Co-operative to pay a portion of the capital costs of the bulk plant to FCL determined by a formula based upon usage. Management intends to fulfill all existing contracts with FCL.

(iii) Under the terms of the agreement with FCL, the Co-operative has committed to purchase at least 90% of its total goods from FCL and commits, to the best of its ability, to use FCL's services. If the eligibility requirements are met, FCL will pay the Co-operative, on a quarterly basis, a Loyalty Payment based on cents per litre. The Loyalty Payment revenue is accrued as earned.

(iv) Under the terms of the agreement with FCL, the Co-operative has committed to purchase fertilizer products, at market price, from FCL over a five year period commencing from July 2019. Failure to meet this commitment would require the Co-operative to pay a termination charge to FCL determined by a formula based on purchases and years remaining in the contract. Management intends to fulfill all existing contracts with FCL.

(v) Under the terms of the agreement with FCL, the Co-operative has committed to purchase agriculture and home centre products, from FCL and continue to operate certain food stores over periods of 10 to 30 years commencing from April 2016. Failure to meet this commitment would require the Co-operative to repay the assistance received on a prorated basis. Total assistance that would be repayable if commitments were not met without FCL approval as at December 31, 2021 amounted to \$928,967 (2020 - \$879,480). Management intends to fulfill all commitments with FCL.

5. Accounts receivable - customer

Shown net of an allowance for doubtful accounts of \$500,000 (2020 - \$500,000).

6. Inventories

	2021	2020
Raw material	\$ 5,430,877	\$ 4,307,012
Goods for resale	<u>20,274,546</u>	<u>17,240,942</u>
	<u>\$ 25,705,423</u>	<u>\$ 21,547,954</u>

The cost of inventories recognized as an expense during the year was \$109,385,183 (2020 - \$96,856,348).

7. Long-term receivable

	2021		2020	
Total	Current Portion	Deferred Portion	Current Portion	Deferred Portion
Petroleum tanks	<u>\$ 222,699</u>	<u>\$ 210,808</u>	<u>\$ 11,891</u>	<u>\$ 234,580</u>
			<u>\$ 194,562</u>	

The Co-operative has long-term interest free receivables covering petroleum tank equipment which are recoverable over three years. The receivables are secured by the petroleum tank equipment.

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2021

8. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2021 Book Value	2020 Book Value
Land	\$ 1,946,736	\$ -	\$ 1,946,736	\$ 1,946,736
Pavement	1,314,571	632,514	682,057	673,814
Fences	74,782	46,318	28,464	23,215
Tanks	3,853	1,799	2,054	2,434
Buildings	17,442,338	7,802,084	9,640,254	10,420,594
Vehicles	5,269,195	3,618,220	1,650,975	1,230,381
Computer equipment	932,537	909,919	22,618	60,588
Furniture & equipment	11,633,365	7,954,319	3,679,046	3,077,753
Asset retirement cost	152,030	79,412	72,618	85,134
Under construction	842,139	-	842,139	19,417
	<u>\$ 39,611,546</u>	<u>\$ 21,044,585</u>	<u>\$ 18,566,961</u>	<u>\$ 17,540,066</u>

Depreciation for the current year included in operating and administration expense was \$2,180,153 (2020 - \$1,946,222).

9. Intangible assets

	Original Cost	Accumulated Amortization	2021 Book Value	2020 Book Value
Liquor permits	<u>\$ 565,000</u>	<u>\$ -</u>	<u>\$ 565,000</u>	<u>\$ 565,000</u>

The Co-operative owns four commercial liquor permits that have indefinite lives.

10. Line of credit

The Co-operative has a line of credit with Federated Co-operatives Limited for up to \$15,000,000 between the months of May and July and \$10,500,000 from August to April. \$6,000,000 has been drawn as at December 31, 2021 (2020 - \$3,205,270). Interest on the line of credit is at prime rate (2.45%) (2020 - 2.45%). The line of credit is subject to certain measurable covenants. As at December 31, 2021, the Co-operative is in compliance with such covenants.

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2021

17. Net interest

	2021	2020
Interest expense on		
- Short-term debt	\$ 217	\$ 82,984
- Long-term debt	159,267	116,852
Interest revenue	<u>(166,913)</u>	<u>(223,684)</u>
	<u>\$ (7,429)</u>	<u>\$ (23,848)</u>

18. Pension plan

The Co-operative participates in a multi-employer defined contribution plan whereby the Co-operative and participating employees contribute equal amounts up to the maximum allowed under the Income Tax Act. The Co-operative has no unfunded liability under this plan. During the year, the Co-operative recorded \$422,853 (2020 - \$439,016) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.

19. Income tax expense

The Co-operative accounts for income taxes using the taxes payable method. As a result, the Co-operative's income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

	2021	2020
Savings before income taxes	\$ 5,255,989	\$ 7,609,916
Expected income tax expense at the combined tax rate of 27.0% (2020 - 27.0%)	1,419,117	2,054,677
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	(19,587)	(162,807)
Patronage allocation to members of \$2,404,349 (2020 - \$1,508,109)	(649,174)	(407,189)
Income or expenses claimed in different periods for income tax purposes:		
Capital cost allowance in excess of depreciation	(135,038)	(54,023)
Other items that impact income taxes:		
Manufacturing and processing investment tax credit	(44,656)	(21,375)
Prior year tax adjustment	<u>37,933</u>	<u>(16,203)</u>
Income tax expense	<u>\$ 608,595</u>	<u>\$ 1,393,080</u>

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2021

20. Economic conditions

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The Co-operative's operations were impacted by COVID-19 due to increased customer demand in some circumstances as well as supply chain disruptions. The impact of COVID-19 has been partially offset by available government programs for which the Co-operative was eligible. The future impact the COVID-19 outbreak may have on the Co-operative is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

21. Subsequent events

(a) Business combination

Effective February 15, 2022, the Co-operative acquired the business operations and the net assets of two sites of Paragon Agro. These two sites operate a crop input business including fertilizer, anhydrous ammonia, seed and crop protection services. The assets included in the purchase were land, buildings, equipment and automotive.

(b) Patronage allocation to members

Subsequent to December 31, 2021 the Board of Directors approved a patronage allocation to members in the amount of \$2,404,349 (2020 - \$1,508,109).

(c) FCL line of credit agreement

Subsequent to year end, the Co-operative obtained a line of credit from FCL for \$4,700,000. The line of credit bears interest at prime rate (2.45%), repayable via an annual reduction in available credit. The loan is subject to certain non-financial covenants. Security for the credit is a Business Security Agreement and a General Security Agreement. The available line of credit decreases as follows:

February 15, 2022 to February 14, 2023	\$ 4,700,000
February 15, 2023 to February 14, 2024	4,230,000
February 15, 2024 to February 14, 2025	3,760,000
February 15, 2025 to February 14, 2026	3,290,000
February 15, 2026 to February 14, 2027	2,820,000
February 15, 2027 to February 14, 2028	2,350,000
February 15, 2028 to February 14, 2029	1,880,000
February 15, 2029 to February 14, 2030	1,410,000
February 15, 2030 to February 14, 2031	940,000
February 15, 2031 to February 14, 2032	470,000

Attached to this loan is the requirement that the Co-operative will purchase solely from FCL and its preferred suppliers.

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2021

22. Commitments

(a) The Co-operative is committed to the completion of a food store in Melfort, Saskatchewan. The estimated cost is \$10,500,000 of which \$70,899 has been setup as construction in progress. This amount will be financed with internally generated cash flows, FCL line of credit and an FCL loan.

(b) The Co-operative is committed to the completion of a c-store in Archerwill, Saskatchewan. The estimated cost is \$2,174,000 of which \$108,866 has been setup as construction in progress. This amount will be financed with internally generated cash flows, FCL line of credit and an FCL loan.

Prairie North Co-operative Limited
Unaudited Statistical Information
For the Year Ended December 31, 2021

Record of Sales and Net Savings

	<u>Year</u>	<u>Sales</u>	<u>Net Savings</u>	<u>%</u>
From Date of Incorporation, June 22, 1914 to December 31,	2012	\$ 844,719,132	\$ 38,955,253	4.6
	2013	73,984,505	2,834,843	3.8
	2014	75,126,433	1,966,510	2.6
	2015	70,117,989	1,694,007	2.4
	2016	70,049,957	1,081,017	1.5
	2017	72,397,960	1,393,258	1.9
	2018	98,606,058	7,804,445	7.9
	2019	108,410,994	2,675,631	2.5
	2020	115,314,746	6,216,836	5.4
	2021	128,982,762	4,647,394	3.6
		<u>\$ 1,657,710,536</u>	<u>\$ 69,269,194</u>	<u>4.2</u>

Membership

Members purchasing during the year	10,981
Inactive members	<u>1,444</u>
Total members	<u>12,425</u>



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